

# THE CONCORD TELEPHONE COMPANY

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November 9, 1992

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Secretary  
Federal Communications Commission  
1919 M Street, N.W. Room 222  
Washington, D.C. 20554-1600

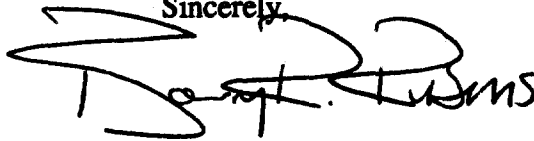
Re: In the Matter of

Amendment of the Commission's  
Rules to Establish New Personal  
Communications Services  
CC GEN Docket No. 90-314  
CC ET Docket No. 92-100

Dear Ms. Searcy:

Enclosed for filing are an original and six (6) copies of Comments of The Concord Telephone Company in these proceedings. If you have any questions, please contact the undersigned at (704) 788-0241.

Sincerely,



Barry R. Rubens  
Manager - Regulatory Affairs  
The Concord Telephone Company

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**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY**

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

**In the Matter of**

**Amendment of the Commission's  
Rules to Establish New Personal  
Communications Services**

) GEN Docket No. 90-314  
) ET Docket No. 92-100  
)  
) RM-7140, RM-7175, RM-7617,  
) RM-7618, RM-7760, RM-7782,  
) RM-7860, RM-7977, RM-7978,  
) RM-7979, RM-7980  
)  
) PP-35 through PP-40,  
) PP-79 through PP-85

**COMMENTS OF THE CONCORD TELEPHONE COMPANY**

**Barry R. Rubens  
Manager - Regulatory Affairs  
The Concord Telephone Company  
68 Cabarrus Avenue, East  
P.O. Box 227  
Concord, North Carolina 28026**

## **COMMENTS OF THE CONCORD TELEPHONE COMPANY**

### **SUMMARY**

1. Local exchange carriers should be eligible to participate in the provision of PCS in their respective service areas. If the Commission elects to directly or indirectly (by creating national or regional license areas, only) disallow LECs from participating in future technologies and their resulting services, they will be, in effect, writing the obituary for small telephone companies in this nation.
2. PCS or wireless communications is a natural step in the evolution local exchange carriers network. LECs should be allowed to determine the optimal mix of fiber, copper and wireless technologies required to meet the customers' needs.
3. The Commission needs to create smaller license areas than those envisioned in the Notice of Proposed Rule Making and Tentative Decision. We recommend the license areas used for cellular filings. Use of smaller license areas will promote the involvement of innovative small businesses, and better ensure that customers in rural areas receive the benefits PCS promises customers in urban areas. Smaller markets will promote the Commission's value of "universality."
4. We believe that the optimal licensing mechanism is comparative hearings; however, given one "value" of this proceeding is "speed of deployment," we recommend that the Commission adopt a modified lottery. The modified lottery should contain provisions that discourage rampant speculation such as restrictions on resale of licenses, technical and financial showings, and short filing windows.
5. We support the expansion of the current proposed three licenses to four or five licenses per area. We believe that additional licenses will promote competition and ameliorate concerns regarding the participation of cellular providers or LECs in the process. We also encourage the Commission to allocate additional spectrum (in addition to the proposed 90 MHz) to licensed services.
6. We believe the best way to meet the Commission's four values is through competition. All of our recommendations promote competition (e.g., more licenses, open participation from LECs, cellular providers, and other businesses, and smaller markets). We believe that the best approach to serving the customers needs is through "competitive delivery," one of the Commission's four values. Competitive delivery will promote "diversity of service" and low prices.

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**COMMENTS OF THE CONCORD TELEPHONE COMPANY**

The Concord Telephone Company ("Concord") herewith submits the following comments in response to the Commission's Notice of Proposed Rule Making and Tentative Decision in the above captioned dockets and files.

Concord serves approximately 80,000 access lines in the communities of Concord, Kannapolis, Albemarle and six other small communities in North Carolina. We have provided our customers with high quality service for over ninety-five years. In addition, by any measure, Concord may be characterized as a very low-cost, efficient provider of telecommunications services. We view the outcome of these proceedings as critical to our ability to continue to provide the lowest-cost, highest-quality service to all of our customers.

We have no doubt that customers want and need the wide array of services that are imagined, and yet unimagined, for what we are calling "personal communications services." Customers value mobility, this is borne out by the startling growth of cellular. There were 7.6 million cellular subscribers at the end of 1991, a gain of more than 2 million subscribers in a single year.

We see the development of PCS as an essential component of the national telecommunications infrastructure. The importance of infrastructure has been emphasized repeatedly by a variety of sources, such as NTIA in their Infrastructure Report. The development of telecommunications infrastructure is critically important to our nation and to

the communities served by The Concord Telephone Company. We believe that local exchange carriers will continue to play a vital role in realizing the goals of our national telecommunications infrastructure.

The development of PCS services will allow the communities we serve to be competitive in a changing economic environment, create more jobs, and contribute to improving the overall quality of life of our customers. We believe that in smaller communities and rural areas the local exchange carrier will have to be involved if rural customers are going to realize the benefits of PCS services.

Further, we see the development and propagation of wireless services (PCS) as a natural step in the evolution of local exchange carriers' networks. A step that local exchange carriers must be allowed to take if they are to remain viable providers of telecommunications services into the next century.

Concord strongly supports the Commission's four values in providing spectrum and a regulatory structure for PCS. They are: universality, speed of deployment, diversity of services and competitive delivery. In our comments to follow, we have laid out a set of regulatory parameters that we believe would best meet these values.

#### Spectrum Allocation:

The Commission has proposed to allocate a total of 110 MHz of the 2GHz spectrum for PCS services, and that a minimum of 90 MHz would be allocated for licensed services. Further, the Commission has tentatively concluded that this allocation (90 MHz) could provide three licensees with 30 MHz of spectrum each. The Commission has requested comment concerning the "the merits of authorizing four or five PCS operators per market."

The Concord Telephone Company recommends that the Commission issue four or five PCS licenses per area and increase the total allocation of spectrum for licensed services. We believe that increasing the number of licenses is critical to ensuring that true competition exists in each area, and that customers receive the benefits of competition through lower prices. We also believe that the expansion of licenses granted from three to four or five will also ameliorate the concerns expressed by various commentators of allowing LECs or cellular providers to hold PCS licenses.

#### Licensing Issues:

The geographic scope of each license area will have a profound impact on the ability of smaller companies to participate in the PCS market. The Commission has tentatively concluded that PCS service areas should be larger than those initially licensed in cellular; however it is "unclear" how much larger those service areas should be.

Concord strongly disagrees with the Commission's tentative conclusion on the size of licenses to be granted. We believe that the structure followed in the licensing of cellular (MSAs and RSAs) should be adopted for this proceeding. Even the Commission's Option 1, the option that envisions the smallest service areas (487 "basic trading areas" defined in the Rand McNally 1992 Commercial Atlas and Marketing Guide), create very large service areas from the perspective of The Concord Telephone Company.

For example, Concord is located in Basic Trading Area (BTA) 74, Charlotte - Gastonia, North Carolina. BTA 74 encompasses 12 counties in North Carolina and 5 counties in South Carolina. This BTA includes an estimated 639,200 households and population of 1,692,300 at December 31, 1990. These BTA's maybe small for AT&T, Southern Bell, or McCaw Cellular, but are very large for a potential small or medium size competitor. The large geographic service areas proposed by the Commission will create a financial hurdle so high that only the largest companies would be able to participate in these services.

We are convinced the positive effects of allowing smaller businesses to participate via smaller license areas in these services far outweigh potential economies of scale and scope that the Commission believes would be available with larger participants. We believe the advantages of creating smaller markets, promoting the participation of small businesses, are many and convincing. The Commission touched on several of these points in the Notice, and we would like to expand on those comments.

First we would like to emphasize the importance of innovation and the major role of small companies in providing innovative answers to new opportunities. You only need to look as far as the computer industry to cite a long list of companies that started small and because of innovation are large, successful companies today. Look at Steven Jobs the founder of Apple, or Bill Gates at Microsoft. Think of how the consumer has benefited from the innovation of these two men.

We will start by defining a small business. A small business, as defined by the Small Business Administration (SBA), is one that employs 500 or less people. The Concord Telephone Company is a small business. We currently have 280 employees.

As Sam Suwinski, Executive Vice President, Opto-Electronics Group, Corning Incorporated, described in a presentation on infrastructure before the Telecommunications Industry Association (TIA) Annual Meeting April 8, 1991 "Believe it or not, such companies make up an astonishing 99.7 percent of all US firms. These firms represent the guts of our economy, not the fringes. And according to SBA studies, they are twice as innovative, per employee, as large business. They account for 20 percent of direct US exports, and 21 percent of indirect exports -- through agents. They represent 55 percent of US employment, 40 percent of sales, and 40 percent of our gross national product."

This is a profile of the companies that the FCC will exclude from providing PCS if it creates large geographic service areas. Unfortunately, these are precisely the companies that the FCC should be encouraging to participate in the provision of these services.

The statement above, that small companies are innovators, also describes the small telephone companies serving this nation. At USTA's 1992 Annual Convention in New Orleans, FCC Chairman Sikes addressed the membership of USTA. He clearly and explicitly recognized the contribution of small telephone companies as innovators in the telecommunications industry.

Second, we are concerned that customers in smaller markets would become second class citizens in the development and delivery of PCS under options which only consider large national or regional licenses. It is likely that the focus a large national or regional licensee would be on big, lucrative markets, and service to small communities would be seriously delayed. We believe that customers in small communities deserve the same economic opportunities as customers in urban areas. We do not believe that this would happen with large regional or national licenses.

We would like to point to the successes in the licensing of the cellular market in RSAs. In this case, the Commission's licensing mechanism has worked. Even though the awarding of licenses for RSAs was a few short years ago, cellular service is being provided in the vast majority of these areas today. There is little question that the addition of these customers has increased the value of the cellular network to everyone.

In conclusion, we believe there are numerous advantages to creating smaller markets, and serious concerns with creating only large markets.

#### Eligibility Requirements:

We agree with the Commission's tentative decision that there is a strong case for allowing LECs to provide PCS within their respective service areas. It is important to understand that PCS is a natural step in the evolution of the local exchange carriers networks. We have met our customers telecommunications needs for ninety-five years. If we are to continue to meet our customers changing demands, LECs must be allowed to serve their customers with the optimal mix of fiber, copper and wireless technologies capable of delivering the desired performance at the lowest cost.

The Commission requested comment on allowing LECs to hold PCS licenses, except where barred by their cellular holdings, if such a bar is adopted. We believe that LECs should be allowed to participate where they do have cellular holdings and where they do not have cellular holdings. The exclusion of LECs in areas where they have cellular holdings does not promote competition and therefore does not maximize the benefits to the customer of competition.

#### Licensing Mechanism:

We believe that a comparative hearing is the optimal licensing mechanism and yields the most qualified participants; however, given the time urgency of this proceeding and the

Commission's limited resources to conduct comparative hearings we recommend a modified lottery process.

We recommend that the Commission modify the lottery process to avoid large numbers of purely speculative applications. We recommend the Commission modify the lottery system using provisions similar to Commission's lottery of land mobile licenses in the 220 MHz band. This includes:

- short filing windows
- strict entry, for example limiting each entity to one filing per license area
- restrictions on resale of licenses
- technical showings within several days of the selection
- firm letter of financial commitment
- fair and reasonable construction benchmarks
- just filing fees

We believe that a modified lottery incorporating the preceding recommendations will result in the best and most fair licensing mechanism.

**Interconnection:**

Concord fully supports the Commission's mandate that PCS licensees have a federally protected right to interconnection with the public switched telephone network (PSTN). We believe that interconnection should be provided to all PCS providers on equal terms and conditions.